



Roland W. Burris

Comptroller
State of Illinois

December 11, 1989

201 State House
Springfield, Illinois 62706
217/782-6000

PAYROLL BULLETIN
(9-89)

TO: All State Agencies, Departments, Boards, Commissions
and Universities

SUBJECT: Change in Social Security/Medicare Base and Employer
Provided Educational Assistance

SOCIAL SECURITY/MEDICARE

The Omnibus Budget Reconciliation Act of 1989 (OBRA '89) which was recently passed by Congress and is likely to be signed into law has changed the Social Security/Medicare base earnings to \$51,300. The rate remains 7.65% for Social Security and 1.45% for Medicare.

EMPLOYER PROVIDED EDUCATIONAL ASSISTANCE

OBRA '89 has also extended employer provided educational assistance as a non-taxable benefit to September 30, 1990. However, this exclusion still does not apply to any payment for, or the provision of any benefits with respect to, any graduate level courses of a kind normally taken by individuals pursuing a program leading to a law, business, medical, or similar advanced academic or professional degree. In this context, the phrase "graduate level course" means a course taken by an individual who (1) has received a bachelor's degree (or the equivalent thereof), or (2) is receiving credit toward a more advanced degree. However, this graduate education rule will not affect an employee's ability to exclude from income employer provided job-related educational assistance.

In order that employees receive accurate W-2s, agencies which have already reported educational reimbursement on the payroll voucher in the "Other Compensation Subject to Withholding Field" are urged to quickly identify these employees and the amounts that were included in gross income. When this has been determined, a negative amount should be entered in this field on the hard copy voucher and magnetic tape to subtract the educational assistance previously reported. This will reduce the gross income for calculating federal and state income taxes and, where applicable, FICA/Medicare and retirement. It is important that this procedure be completed no later than the last payroll for calendar year 1989, which is generally the December 1-15, 1989 pay period. This will minimize the number of refunds and corrected forms W-2 that will have to be issued.

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Agencies which have previously reported undergraduate educational assistance for terminated employees should notify the Comptroller's Office of these individuals, the amount of the reimbursement and their current address if known. Where applicable, the appropriate retirement systems should also be notified. The notices to the Comptroller's Office should be sent to the attention of Dan Steven, Office of the Comptroller, 325 West Adams Street, Springfield, Illinois 62706.

Questions regarding the Payroll Bulletin should be referred to Dan Steven or Nancy Smith at (217) 782-4758.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry D. Roth". The signature is fluid and cursive, with the first name "Larry" and last name "Roth" clearly distinguishable.

Larry D. Roth
Director, State Accounting